

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

L

W-01944A  
Lago Del Oro Water Company  
9532 East Riggs Road  
Sun Lakes AZ 852487411

**RECEIVED**

MAY 16 2005

AZ Corporation Commission  
Director Of Utilities

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2004
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FOR COMMISSION USE

ANN04	04
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## COMPANY INFORMATION

<b>Company Name (Business Name)</b> <u>Lago Del Oro Water Company</u>			
<b>Mailing Address</b> <u>9532 E Riggs Road</u>			
<u>Sun Lakes</u>	<u>(Street)</u>	<u>Arizona</u>	<u>85248</u>
<u>(City)</u>	<u>(State)</u>	<u>(Zip)</u>	
<u>(480) 895-9200</u>	<u>(480) 895-4347</u>		
<u>Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>	
<b>Email Address</b> _____			
<b>Local Office Mailing Address</b> <u>40,004 S Ridgeview Blvd</u>			
<u>Tucson</u>	<u>(Street)</u>	<u>Arizona</u>	<u>85739</u>
<u>(City)</u>	<u>(State)</u>	<u>(Zip)</u>	
<u>(520) 825-3423</u>	<u>(520) 825-0712</u>	<u>(520) 932-5892</u>	
<u>Local Office Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>	
<b>Email Address</b> _____			

## MANAGEMENT INFORMATION

<b>Management Contact:</b> <u>James Poulos</u>				<u>General Manager</u>	
<u>(Name)</u>				<u>(Title)</u>	
<u>9532 E Riggs Road</u>	<u>Sun Lakes</u>	<u>Arizona</u>	<u>85248</u>		
<u>(Street)</u>	<u>(City)</u>	<u>(State)</u>	<u>(Zip)</u>		
<u>(480) 895-9200</u>	<u>(480) 895-4347</u>				
<u>Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>			
<b>Email Address</b> _____					
<b>On Site Manager:</b> <u>Ed MacMeans</u>					
<u>(Name)</u>					
<u>40,004 S Ridgeview Blvd</u>	<u>Tucson</u>	<u>Arizona</u>	<u>85739</u>		
<u>(Street)</u>	<u>(City)</u>	<u>(State)</u>	<u>(Zip)</u>		
<u>(520) 825-3423</u>	<u>(520) 825-0712</u>	<u>(520) 932-5892</u>			
<u>Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>			
<b>Email Address</b> _____					

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:** FC Services Corporation

(Name)

3003 N Central Ave #2600

(Street)

Phoenix

(City)

Arizona 85012-2913

(State)

(Zip)

(602) 916-5000

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Attorney:** Marty Aronson

(Name)

One E Camelback Road

(Street)

Phoenix

(City)

Arizona 85012

(State)

(Zip)

(602) 263-2972

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

### **OWNERSHIP INFORMATION**

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

### **COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☒ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

**COMPANY NAME** Lago Del Oro Water Company

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	42,608		42,608
304	Structures and Improvements	100,414	23,106	77,308
307	Wells and Springs	1,757,991	596,081	1,161,910
311	Pumping Equipment	2,303,220	657,579	1,645,641
320	Water Treatment Equipment	499,277	168,506	330,771
330	Distribution Reservoirs and Standpipes	2,896,968	1,060,132	1,836,836
331	Transmission and Distribution Mains	3,430,001	1,259,515	2,170,486
333	Services	1,212,369	395,035	817,334
334	Meters and Meter Installations	436,056	153,237	282,819
335	Hydrants	500,779	190,783	309,996
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	644,561	187,243	457,318
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment	80,000	15,333	64,667
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>13,904,244</b>	<b>4,706,550</b>	<b>9,197,694</b>

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

Lago Del Oro Water Company

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	42,608	0	0
304	Structures and Improvements	100,414	.0476	4,779
307	Wells and Springs	1,757,991	.0489	85,899
311	Pumping Equipment	2,303,220	.0486	111,890
320	Water Treatment Equipment	499,277	.0500	24,964
330	Distribution Reservoirs and Standpipes	2,896,968	.0496	143,680
331	Transmission and Distribution Mains	3,430,001	.0461	158,140
333	Services	1,212,369	.0452	54,800
334	Meters and Meter Installations	436,056	.0462	20,127
335	Hydrants	500,779	.0500	25,040
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	644,561	.0499	32,151
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment	80,000	.0500	4,000
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>13,904,244</b>	<b>.0479</b>	<b>665,470</b>

This amount goes on the Comparative Statement of Income and Expense  
Acct. No. 403.

Amort of CIAC (13,296)

652,174

### **BALANCE SHEET**

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 118,745	\$ 67,262
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	140,639	137,975
146	Notes/Receivables from Associated Companies	267,573	170,004
151	Plant Material and Supplies		
162	Prepayments	81,394	36,121
174	Miscellaneous Current and Accrued Assets	157,638	140,410
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 765,989</b>	<b>\$ 551,772</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 13,475,234	\$ 13,904,244
103	Property Held for Future Use		
105	Construction Work in Progress	16,810	35,785
108	Accumulated Depreciation – Utility Plant	4,055,242	4,706,550
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 9,436,802</b>	<b>\$ 9,233,479</b>
	<b>TOTAL ASSETS</b>	<b>\$ 10,202,791</b>	<b>\$ 9,785,251</b>

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

**COMPANY NAME** Lago Del Oro Water Company

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITES</b>		
231	Accounts Payable	\$ 48,683	\$ 101,258
232	Notes Payable (Current Portion)	565,200	589,021
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	389,728	388,239
236	Accrued Taxes	81,096	77,814
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	37,198	30,103
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 1,121,905	\$ 1,186,435
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 3,555,276	\$ 2,979,165
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$ 551,772	\$ 576,456
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits	407,577	438,669
271	Contributions in Aid of Construction	(319,179)	(332,475)
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ 640,170	\$ 682,650
	<b>TOTAL LIABILITIES</b>	\$ 5,317,351	\$ 4,848,250
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 150,500	\$ 150,500
211	Paid in Capital in Excess of Par Value	4,322,625	4,322,625
215	Retained Earnings	412,315	463,876
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 4,885,440	\$ 4,937,001
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 10,202,791	\$ 9,785,251

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 1,684,135	\$ 1,744,048
460	Unmetered Water Revenue		
474	Other Water Revenues	32,052	58,454
	<b>TOTAL REVENUES</b>	\$ 1,716,187	\$ 1,802,502
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ 201,360	\$ 167,090
610	Purchased Water		
615	Purchased Power	337,848	371,005
618	Chemicals	5,783	3,422
620	Repairs and Maintenance	106,143	102,871
621	Office Supplies and Expense		
630	Outside Services	49,878	45,600
635	Water Testing	72,554	18,121
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability	26,760	20,922
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	75,409	74,284
403	Depreciation Expense	631,840	652,174
408	Taxes Other Than Income		
408.11	Property Taxes	113,793	117,488
409	Income Tax	(15,018)	17,278
	<b>TOTAL OPERATING EXPENSES</b>	\$ 1,606,350	\$ 1,590,255
	<b>OPERATING INCOME/(LOSS)</b>	\$ 109,837	\$ 212,247
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$ 18,286	\$ 9,298
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	181,251	169,985
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	\$ (162,965)	\$ (160,687)
	<b>NET INCOME/(LOSS)</b>	\$ (53,128)	\$ 51,560



**COMPANY NAME** Lago Del Oro Water Company

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	7/27/00	03/05/01		
Source of Loan	California Bank&Trust	California Bank&Trust		
ACC Decision No.	62845	62845		
Reason for Loan	Plant Additions	Plant Additions		
Dollar Amount Issued	\$2,894,259	\$1,500,000	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity	07/27/06	07/27/06		
Interest Rate	Prime %	Prime %	%	%
Current Year Interest	\$ 111,960	\$ 58,025	\$	\$
Current Year Principle	\$ 363,763	\$ 188,527	\$	\$

Meter Deposit Balance at Test Year End

\$ 338,239

Meter Deposits Refunded During the Test Year

\$ 81,810

**COMPANY NAME** Lago Del Oro Water Company

## **WATER COMPANY PLANT DESCRIPTION**

### **WELLS**

<b>ADWR ID Number*</b>	<b>Pump Horsepower</b>	<b>Pump Yield (gpm)</b>	<b>Casing Depth (Feet)</b>	<b>Casing Diameter (Inches)</b>	<b>Meter Size (inches)</b>	<b>Year Drilled</b>
See Attached						

\* Arizona Department of Water Resources Identification Number

### **OTHER WATER SOURCES**

<b>Name or Description</b>	<b>Capacity (gpm)</b>	<b>Gallons Purchased or Obtained (in thousands)</b>

<b>BOOSTER PUMPS</b>		<b>FIRE HYDRANTS</b>	
<b>Horsepower</b>	<b>Quantity</b>	<b>Quantity Standard</b>	<b>Quantity Other</b>
See Attached		372	

<b>STORAGE TANKS</b>		<b>PRESSURE TANKS</b>	
<b>Capacity</b>	<b>Quantity</b>	<b>Capacity</b>	<b>Quantity</b>
500,000	2	15,000	1
250,000	2	10,000	2
200,000	1	6,000	2
100,000	1	2,000	6
12,000	3	1,000	3

## Well Site Facilities

### Lago Del Oro Water Company

Location	POE #	DWR #	Pump Horsepower	Pump Yield in GPM's	Casing Depth in Feet	Casing Diameter in Inches	Meter Size (Inches)	Year Drilled
<b>Well # 1</b>	POE 001	55-613452	75	560	804	16	6	1963
<b>Well # 3</b>	POE 003	55-613459	2	15	241	8	1	1973
<b>Well # 4</b>	POE 004	55-613454	150	350	800	16	8	1963
<b>Monitoring Well # 4</b>		55-514519	N/A	N/A	N/A	N/A	N/A	N/A
<b>Well # 5</b>	POE 005	55-613455	15	75	300	10	3	1972
<b>Well # 6</b>	POE 006	55-613456	30	120	450	8	3	1973
<b>Well # 7</b>	POE 007	55-613460	10	25	495	8	2	1972
<b>Well # 8</b>	POE 008	55-613457	7.5	120	225	8	3	1972
<b>Well # 11</b>	POE 003	55-613458	3	35	609	8	1	1981
<b>Well # 13</b>	POE 013	55-623397	15	70	310	10	2	1971
<b>Well # 14</b>	POE 014	55-518207	200	1385	800	16	8	1987
<b>Well # 15</b>	POE 015	55-526451	200	1000	804	16	8	1990
<b>Well # 16</b>	POE 004	55-547494	300	1300	959	16	10	1996
<b>Well # 17</b>	POE 017	55-548874	200	1100	1100	16	10	1995
<b>Well # 18</b>	POE 017	55-548873	100	330	1109	16	6	1996
<b>Well # 19</b>	POE 019	55-573651	150	490	1200	20	6	1999

## **BOOSTER PUMPS**

Horsepower	Quantity
75	3
50	2
40	2
30	6
20	6
15	4
10	2
5	4
3	1

**COMPANY NAME** Lago Del Oro Water Company

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2	PVC	5,943
3	PVC	20,497
4	PVC	86,007
5		
6	PVC	153,029
8	PVC	119,297
10	PVC	23,676
12	PVC	4,903

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 X 3/4	
3/4	5,528
1	57
1 1/2	8
2	48
Comp. 3	4
Turbo 3	
Comp. 4	1
Tubo 4	
Comp. 6	4
Tubo 6	

**For the following three items, list the utility owned assets in each category.**

**TREATMENT EQUIPMENT:**

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**STRUCTURES:**

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**OTHER:**

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# Lago Del Oro Water Company

Well # 1 - POE 001	15916 N. Capstan Avenue	9	55-613452	D-11-14-9-AAA	<0.002 PPM
Well # 2 - POE 002	3415 E. Golder Ranch Road	9	55-613453	D-11-14-9-CDA	<0.002 PPM
Well # 3 - POE 003	5400 E. Golder Ranch Road	23	55-613459	D-11-14-23-DBD	<0.002 PPM
Well # 4 - POE 004	Section 23	23	55-514519	D-10-14-23-CAC	<0.002 PPM
Well # 5 - POE 005	15850 N. Lago Del Oro Parkway	10	55-613455	D-11-14-10-AAD	<0.002 PPM
Well # 6 - POE 006	16515 N. Lago Del Oro Parkway	2	55-613456	D-11-14-2-BDB	<0.002 PPM
Well # 7 - POE 007	Edwin Road	11	55-613460	D-11-14-11-ABD	<0.002 PPM
Well # 8 - POE 008	5447 E. Edwin Road	35	55-613457	D-10-14-35-DCC	<0.002 PPM
Well # 11 - POE 003	5180 E. Golder Ranch Road	23	55-613458	D-11-14-23-ACC	
Well # 13 - POE 013	3280 E. Lamb Drive	9	55-623397	D-11-14-9-BBD	<0.002 PPM
Well # 14 - POE 014	38514 S. Canyon View Court	27	55-518207	D-10-14-27-DDD	<0.002 PPM
Well # 15 - POE 015	63579 S. SaddleBrooke Blvd.	35	55-526451	D-10-14-27-ACB	<0.002 PPM
Well # 16 - POE 004	35729 S. Boulder Crest Drive	23	55-547494	D-10-14-23-ACB	
Well # 17 - POE 017	37745 S. Boulder Wind Drive	27	55-548874	D-10-14-27-BCD	<0.002 PPM
Well # 18 - POE 017	63182 E. Desert Highland Drive	34	55-548873	D-10-14-34-BAB	
Well # 19 - POE 019	62971 E. Amberwood Court	34	55-573651	D-10-14-34-BBD	<0.002 PPM
Water Plant # 1 - POE 014	38514 S. Canyon View Court	27			
Water Plant # 2 - POE 004	35729 S. Boulder Crest Drive	23			
Water Plant # 3 - POE 017	38209 S. Desert Bluff Drive	27			
Water Plant # 4 - POE 019	62971 E. Amberwood Court	34			

**COMPANY NAME:** Lago Del Oro Water Company

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004**

<b>MONTH</b>	<b>NUMBER OF CUSTOMERS</b>	<b>GALLONS SOLD</b>	<b>GALLON PUMPED (Thousands)</b>
<b>JANUARY</b>	5,235	47,551,087	46,968
<b>FEBRUARY</b>	5,271	49,169,223	47,532
<b>MARCH</b>	5,319	43,417,750	47,184
<b>APRIL</b>	5,338	66,186,894	73,429
<b>MAY</b>	5,366	97,792,692	106,718
<b>JUNE</b>	5,387	106,753,796	105,428
<b>JULY</b>	5,420	94,764,165	103,317
<b>AUGUST</b>	5,443	75,959,733	77,905
<b>SEPTEMBER</b>	5,463	75,427,900	83,719
<b>OCTOBER</b>	5,484	83,311,455	85,695
<b>NOVEMBER</b>	5,515	48,511,823	48,564
<b>DECEMBER</b>	5,547	43,983,567	56,190
<b>TOTAL</b>			882,649

**Is the Water Utility located in an ADWR Active Management Area (AMA)?**

☒ Yes                      ☐ No

**Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?**

☒ Yes                      ☐ No

**If yes, provide the GPCPD amount:** 231 (2000)

**What is the level of arsenic for each well on your system.** See Attached mg/l  
(If more than one well, please list each separately.)

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

COMPANY NAME Lago Del Oro Water Company YEAR ENDING 12/31/2004

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 115,637.11

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



THIS CHECK IS VOID WITHOUT A BLUE & GREEN BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT AN ANGLE TO VIEW ARTIFICIAL WATERMARKS

9/2003

Bank One, NA  
201 N Central Ave Dept 383  
Phoenix, AZ 85038

91-2/1221 307591

**LAGO DEL ORO WATER COMPANY**  
9532 E Riggs Rd  
Sun Lakes, AZ 85248-7411

222231530  
914 01 0060

Date	Amount
04/02/04	\$****53,443.74

**Pay**

**FIFTY THREE THOUSAND FOUR HUNDRED FORTY THREE AND 74/100** \*\*\*\*\*  
Dollars

To  
The  
Order  
Of

**BETH FORD, PIMA COUNTY TREASURER**  
P O BOX 98765  
PHOENIX AZ 85038-0765

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

0005344374

0015 96612

ABSENCE OF U.S. PATENT NUMBERS IN THE LEFT MARGIN INDICATES THAT THIS CHECK IS FRAUDULENT THIS AREA IS PRINTED WITH A PINK HEAT SENSITIVE INK THAT WILL DISAPPEAR WHEN BLOWING OR RUBBING

THIS CHECK IS VOID WITHOUT A COLORED BACKGROUND ON THE FRONT AND THE SAME BACKGROUND IN THE ENDOSEMENT AREA. THE CHECK ALSO CONTAINS AN ARTIFICIAL FINGERPRINT & KNIGHT WATERMARK. SEE BELOW FOR ARTIFICIAL SECURITY FEATURES.

ENDORSE HERE U.S. PATENT NO. 5,838,920; 5,875,508; 5,411,183; 5,785,953; 5,864,946 & 6,000,000

**FOR DEPOSIT ONLY**  
**TO THE CREDIT OF**  
**BETH FORD**  
**PIMA COUNTY TREASURER**  
**PIMA COUNTY, ARIZONA**

KNIGHT & FINGERPRINT WATERMARK

TO VIEW WATERMARKS  
HOLD AT ANGLE  
OR  
UNDER BLACKLIGHT

BANK OF AMERICA NA  
1221817364 E3138 98765  
04/16/04

0015 96612

THIS CHECK ALSO CONTAINS THE FOLLOWING SECURITY FEATURES which are covered under US Patents 5,838,920; 5,875,508; 5,411,183; 5,785,953; 5,864,946 & 6,000,000

1. Absence of the U.S. Patent No. 5,838,920; 5,875,508; 5,411,183; 5,785,953; 5,864,946 & 6,000,000 in the left margin.
2. The back of this check contains a different background color than the front.
3. The back of this check contains a different background color than the front.
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Location	Acct #	Check #	Amount	Issue Date	Paid Date	Sequence
CD	9691135	307591	\$53,443.74		4/16/2004	8743247616
Customer Data	Bank #	GL Category	CD Valid/CIMS Key	CD Label		
	601	000000000000	20040430121701	20040430121701		

THIS CHECK IS VOID WITHOUT A BLUE & GREEN BACKGROUND PLUS A KNIGHT™ & FINGERPRINT WATERMARK ON THE BACK - HOLD AT AN ANGLE TO VIEW ARTIFICIAL WATERMARKS

Bank One, NA  
201 N Central Ave Dept 383  
Phoenix, AZ 85038

91-2/1221 307592

2/11/58

Date	Amount
04/02/04	\$*****3,360.71

**LAGO DEL ORO WATER COMPANY**  
9532 E Riggs Rd  
Sun Lakes, AZ 85248-7411

**Pay**

**THREE THOUSAND THREE HUNDRED SIXTY AND 71/100 \*\*\*\*\***

Dollars

**To The Order Of JIM L TURNBULL - PINAL COUNTY TREASURER**  
PINAL COUNTY TREASURERS OFFICE  
PO BOX 729  
FLORENCE AZ 85232-0729

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

307592 1122100024 0969 1135 0000336071

ABSENCE OF U.S. PATENT NUMBERS IN THE LEFT MARGIN INDICATES THAT THIS CHECK IS FRAUDULENT THIS AREA IS PRINTED WITH A PINK HEAT SENSITIVE INK THAT WILL DISAPPEAR WHEN BLOWING OR RUBBING

THIS CHECK IS VOID WITHOUT A COLORED BACKGROUND ON THE FRONT AND THE SAME BACKGROUND IN THE ENDORSEMENT AREA. THE CHECK ALSO CONTAINS AN ARTIFICIAL FINGERPRINT & KNIGHT™ WATERMARK SEE BELOW FOR ADDITIONAL SECURITY FEATURES

ENDORSE HERE: U.S. PATENT NO. 5,506,290; 5,507,508; 5,541,183; 5,785,783; 5,994,544 & 6,000,000

**FEATURES OF KNIGHT™**

1. ARTIFICIAL FINGERPRINT - A FINGERPRINT SECURITY MARKING IN THE ENDORSEMENT AREA OF THE CHECK. IT IS A PINK HEAT SENSITIVE INK THAT WILL DISAPPEAR WHEN BLOWING OR RUBBING.

2. DO NOT WRITE STRIPS ON BOTH SIDES - RESISTANT FOR FRAUDULENT SIGNATURES

**FEATURES OF FINGERPRINT**

1. ARTIFICIAL FINGERPRINT - A FINGERPRINT SECURITY MARKING IN THE ENDORSEMENT AREA OF THE CHECK. IT IS A PINK HEAT SENSITIVE INK THAT WILL DISAPPEAR WHEN BLOWING OR RUBBING.

2. DO NOT WRITE STRIPS ON BOTH SIDES - RESISTANT FOR FRAUDULENT SIGNATURES

**TO VIEW WATERMARKS HOLD AT ANGLE OR UNDER BLACKLIGHT**

**THIS CHECK ALSO CONTAINS THE FOLLOWING SECURITY FEATURES**

1. Absence of the U.S. Patent Nos. in the left margin on the face and the back of the check. These areas are printed with a pink heat sensitive ink that will disappear when blowing or rubbing.

2. The back of this check has an artificial FINGERPRINT & KNIGHT™ watermark.

3. MICRO PRINTING in the bottom of the check at an angle.

4. Some lines going on the front contains a WAVE LINE BACKGROUND.

AMOUNT LINE IS A DIFFERENT BACKGROUND than the signature area.

PI UF FLUORESCENT WATERMARKS & PI UF FLUO

Location	Acct #	Check #	Amount	Issue Date	Paid Date	Sequence
CD	9691135	307592	\$3,360.71		4/14/2004	5640540216
Customer Data	Bank #	GL Category	CD Valid/CIMS Key	CD Label		
	601	000000000000	20040430121701	20040430121701		

**THIS CHECK IS VOID WITHOUT A GREEN & BLUE BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW**

**LAGO DEL ORO WATER COMPANY**

**9532 E Riggs Rd  
Sun Lakes, AZ 85248-7411**

## Pay

FOUR THOUSAND FOUR HUNDRED FIFTY AND 97/100 \*\*\*\*\*

**To  
The  
Order  
Of**

**JIM L TURNBULL - PINAL COUNTY TREASURER**  
**PINAL COUNTY TREASURERS OFFICE**  
**PO BOX 729**  
**FLORENCE AZ 85232-0729**

Dollars

**SIGNATURE AREA CONTAINS A KNIGHT & FINGERPRINT CHECK WORDING**

№ 30799 211 1221000241 0969 113511

0000445097

ABSENCE OF PINK U.S. PATENT NUMBERS UNDER SIGNATURE INDICATES CHECK IS FRAUDULENT. PATENT NUMBERS ARE PRINTED WITH HEAT SENSITIVE INK & WILL DISAPPEAR WHEN BLOWING OR RUBBING

[illegible]

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CD	9691135	307992	\$4,450.97		10/28/2004	5240195828
<b><u>Customer Data</u></b>	<b><u>Bank #</u></b>	<b><u>GL Category</u></b>		<b><u>CD VoIID/CIMS Key</u></b>	<b><u>CD Label</u></b>	
	601	000000000000		20041029092001	20041029092001	

THIS CHECK IS VOID WITHOUT A GREEN & BLUE BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW

1041025087

Bank One, N/A  
201 N Central Ave Dept 383  
Phoenix, AZ 85038

91-2/1221 308036

LAGO DEL ORO WATER COMPANY

9532 E Riggs Rd  
Sun Lakes, AZ 85248-7411

222280040  
etal

Date	Amount
10/22/04	\$****54,381.69

Pay

FIFTY FOUR THOUSAND THREE HUNDRED EIGHTY ONE AND 69/100 \*\*\*\*\* Dollars

To The Order Of **BETH FORD, PIMA COUNTY TREASURER**  
P O BOX 98765  
PHOENIX AZ 85038-0765

*[Signature]*

SIGNATURE AREA CONTAINS A KNIGHT & FINGERPRINT CHECK WORDING

⑈308036⑈ ⑆122100024⑆ 0969 1135⑈ ⑆0005438169⑈

ABSENCE OF PINK U.S. PATENT NUMBERS UNDER SIGNATURE INDICATES CHECK IS FRAUDULENT. PATENT NUMBERS ARE PRINTED WITH HEAT SENSITIVE INK & WILL DISAPPEAR WHEN BLOWING OR RUBBING

TO VIEW WATERMARKS ON THE BACK OF THE CHECK, HOLD AT AN ANGLE TO VIEW. THE WATERMARKS WILL BE VISIBLE UNDER BLACKLIGHT.

KNIGHT™ FINGERPRINT

FINGERPRINT

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TO VIEW WATERMARKS ON THE BACK OF THE CHECK, HOLD AT AN ANGLE TO VIEW. THE WATERMARKS WILL BE VISIBLE UNDER BLACKLIGHT.

BANK OF AMERICA  
1221017069 1221017069  
10/22/04

THIS CHECK ALSO CONTAINS THE FOLLOWING SECURITY FEATURES which are covered under U.S. Patents 5,538,400; 5,575,011; 5,753,551; 5,984,194 & 6,000,001.

1. Absence of the Knight™ Fingerprint Check wording on the back of the check.
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DO NOT WRITE, STAMP OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

TO THE CREDIT OF  
BETH FORD  
PIMA COUNTY TREASURER  
PIMA COUNTY ARIZONA  
412-7241555

Location	Acct #	Check #	Amount	Issue Date	Paid Date	Sequence
CD	9691135	308036	\$54,381.69		10/27/2004	5140693874
Customer Data	Bank #	GL Category	CD Void/CIMS Key	CD Label		
	601	000000000000	20041029092001	20041029092001		

COMPANY NAME Lago Del Oro Water Company

YEAR ENDING 12/31/2004

**INCOME TAXES**

For this reporting period, provide the following:

Taxable Year Ended 4/30/04  
(141,026)Federal Taxable Income Reported  
Estimated or Actual Federal Tax Liability0State Taxable Income Reported  
Estimated or Actual State Tax Liability( 17,385)50

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances  
Amount of Gross-Up Tax Collected  
Total Grossed-Up Contributions/Advances61,971061,971

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
SIGNATURE05/13/05  
DATEJames L. Poulos  
PRINTED NAMEGeneral Manager  
TITLE

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

**RECEIVED**

MAY 16 2005

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
MARICOPA
NAME (OWNER OR OFFICIAL) TITLE
BRIAN J. SMITH - CONTROLLER
COMPANY NAME
LAGO DEL ORO WATER COMPANY

**AZ Corporation Commission  
Director Of Utilities**

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 1,890,147

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 116,696  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

26<sup>th</sup>

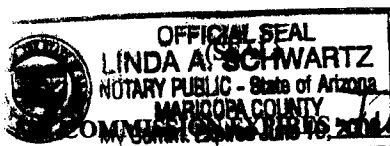
DAY OF

COUNTY NAME
MARICOPA
MONTH
APRIL
YEAR
2005

SIGNATURE OF OWNER OR OFFICIAL

(480) 895-9200

TELEPHONE NUMBER



*Linda A. Schwartz*  
SIGNATURE OF NOTARY

OFFICIAL SEAL  
LINDA A. SCHWARTZ  
NOTARY PUBLIC - State of Arizona  
MARICOPA COUNTY  
My Comm. Expires June 19, 2008

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

**RECEIVED**

MAY 16 2005

AZ Corporation Commission  
Director Of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) MARICOPA	
NAME (OWNER OR OFFICIAL) BRIAN J. SMITH	TITLE CONTROLLER
COMPANY NAME LAGO DEL ORO WATER COMPANY	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

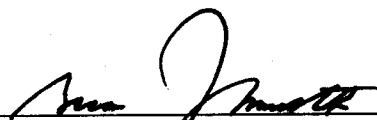
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,564,206

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 87,888  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL

(480) 895-9200

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 26<sup>th</sup> DAY OF



OFFICIAL SEAL  
LINDA A. SCHWARTZ  
NOTARY PUBLIC - State of Arizona  
MARICOPA COUNTY  
My Comm. Expires June 19, 2008

MY COMMISSION EXPIRES June 19, 2008

NOTARY PUBLIC NAME Linda A. Schwartz	
COUNTY NAME MARICOPA	
MONTH APRIL	2005

X   
SIGNATURE OF NOTARY PUBLIC

## **FINANCIAL INFORMATION**

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**



LAGO DEL ORO WATER COMPANY

FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Together with Independent Auditor's Report

# B A R R Y M O O R E , P . C .

C E R T I F I E D P U B L I C A C C O U N T A N T S

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lago Del Oro Water Company

We have audited the accompanying balance sheets of *LAGO DEL ORO WATER COMPANY* as of December 31, 2004 and 2003, and the related statements of income (loss), capitalization, and cash flows for the years then ended. These financial statements are the responsibility of the management of Lago Del Oro Water Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lago Del Oro Water Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

April 6, 2005

*Barry O. Moore, P.C.*

LAGO DEL ORO WATER COMPANY

BALANCE SHEETS  
DECEMBER 31, 2004 AND 2003

*In thousands*

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
PLANT IN SERVICE AND UNDER CONSTRUCTION, net	\$ 9,234	\$ 9,437
CURRENT ASSETS:		
Cash	67	119
Service customers receivable	138	141
Prepays and deposits	36	81
Other receivables	0	8
Note receivable with affiliate	<u>170</u>	<u>259</u>
Total current assets	411	608
DEFERRED INCOME TAXES	<u>140</u>	<u>158</u>
	<u>\$ 9,785</u>	<u>\$ 10,203</u>
<u>LIABILITIES AND CAPITALIZATION</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 101	\$ 49
Accrued liabilities	108	118
Current portion of note payable	<u>589</u>	<u>565</u>
Total current liabilities	798	732
NONCURRENT LIABILITIES:		
Note payable	2,979	3,556
Customer deposits	388	390
Advances in aid of construction	577	552
Contributions in aid of construction	<u>106</u>	<u>88</u>
Total liabilities	<u>4,848</u>	<u>5,318</u>
CAPITALIZATION:		
Common stock, \$100 par value, Authorized 50,000 shares; 2,000 shares issued and outstanding	151	151
Additional paid-in capital	4,322	4,322
Retained earnings	<u>464</u>	<u>412</u>
Total capitalization	<u>4,937</u>	<u>4,885</u>
	<u>\$ 9,785</u>	<u>\$ 10,203</u>

*The accompanying notes are an integral part of these balance sheets.*

LAGO DEL ORO WATER COMPANY

STATEMENTS OF INCOME (LOSS)  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
REVENUE:		
Water sales	\$ 1,644	\$ 1,598
Irrigation	100	86
Establishment and connection fees	29	22
Interest income	9	18
Other income	<u>30</u>	<u>10</u>
Total revenue	<u>1,812</u>	<u>1,734</u>
EXPENSES:		
Salaries and employee benefits	167	201
Electricity	371	338
Repairs and maintenance	103	106
Chemicals	3	6
Testing, fees and permits	18	73
Insurance	21	27
Property taxes	117	114
Professional services	4	8
Administrative services	42	42
Other expense	<u>69</u>	<u>70</u>
	<u>915</u>	<u>985</u>
Income before depreciation, amortization, interest and taxes	897	749
Depreciation	652	632
Amortization	6	5
Interest expense	<u>170</u>	<u>181</u>
Income (loss) before income taxes	69	(69)
Income tax expense (benefit)	<u>17</u>	<u>(15)</u>
NET INCOME (LOSS)	<u>\$ 52</u>	<u>\$ (54)</u>

*The accompanying notes are an integral part of these statements.*

LAGO DEL ORO WATER COMPANY

STATEMENTS OF CAPITALIZATION  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

*In thousands*

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL CAPITALIZATION</u>
Balances, December 31, 2002	\$ 151	\$ 4,322	\$ 466	\$ 4,939
Net loss	<u>0</u>	<u>0</u>	<u>(54)</u>	<u>(54)</u>
Balances, December 31, 2003	151	4,322	412	4,885
Net income	<u>0</u>	<u>0</u>	<u>52</u>	<u>52</u>
Balances, December 31, 2004	<u>\$ 151</u>	<u>\$ 4,322</u>	<u>\$ 464</u>	<u>\$ 4,937</u>

*The accompanying notes are an integral part of these statements.*

LAGO DEL ORO WATER COMPANY

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ <u>52</u>	\$ <u>(54)</u>
Adjustments to reconcile net income (loss) to net cash flows from operating activities-		
Depreciation and amortization	658	637
Gain on disposals of assets	(25)	0
(Increase) decrease in-		
Service customers receivable	3	3
Prepaid expenses	39	(33)
Other receivables	8	(8)
Due from affiliate	0	39
Deferred income taxes	18	(15)
Increase (decrease) in-		
Accounts payable	52	(14)
Accrued liabilities	<u>(10)</u>	<u>9</u>
Total adjustments	<u>743</u>	<u>618</u>
Net cash flows from operating activities	<u>795</u>	<u>564</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Plant additions	(467)	(287)
Proceeds from sales of assets	29	0
Decrease in net advances with affiliates	<u>89</u>	<u>26</u>
Net cash flows from investing activities	<u>(349)</u>	<u>(261)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Customer deposits	(2)	(15)
Repayment on note payable	(552)	(274)
Advances in aid of construction	62	23
Repayment of advances in aid of construction	<u>(6)</u>	<u>(8)</u>
Net cash flows from financing activities	<u>(498)</u>	<u>(274)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(52)</b>	<b>29</b>
CASH, beginning of year	<u>119</u>	<u>90</u>
CASH, end of year	<u>\$ 67</u>	<u>\$ 119</u>

*The accompanying notes are an integral part of these statements.*

LAGO DEL ORO WATER COMPANY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business Activity-

Lago Del Oro Water Company, (the "Company"), an Arizona corporation organized in 1963, provides water services to the homes in the Saddlebrooke retirement community and the town of Catalina.

The rates for services are authorized by the Arizona Corporation Commission.

Property and Equipment-

Property and equipment are stated at original cost. All assets are depreciated on the straight-line method over 20 years.

Maintenance and repairs to property and equipment are generally expensed as incurred. Expenditures determined to represent additions and improvements are capitalized.

Deferred income taxes-

The deferred tax asset is a result of temporary differences between the Company's depreciation expense for book and tax purposes and a net operating loss.

Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of Long-Lived Assets-

The Company periodically evaluates the carrying value of the long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under SFAS No. 144, long-lived assets and certain identifiable intangible assets to be held and used in operations are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe impairment exists at December 31, 2004.

Statements of Cash Flows-

Interest paid totaled \$170,000 and \$181,000 in 2004 and 2003, respectively.

Income taxes paid totaled \$0 in 2004 and 2003.

(2) PLANT IN SERVICE AND UNDER CONSTRUCTION:

Plant in service and under construction consists of the following-

*In thousands*

	<u>2004</u>	<u>2003</u>
Land	\$ 43	\$ 43
Construction work-in progress	36	17
Mains	3,430	3,338
Services	1,212	1,119
Hydrants	501	501
Tanks	2,897	2,879
Water supply	1,758	1,753
Meters	436	395
Pumps	2,303	2,181
Equipment	645	606
Water treatment equipment	499	499
Power generating equipment	80	80
Structures and improvements	<u>100</u>	<u>81</u>
	13,940	13,492
Less accumulated depreciation	<u>4,706</u>	<u>4,055</u>
	<u>\$ 9,234</u>	<u>\$ 9,437</u>

(3) ACCRUED LIABILITIES:

Accrued liabilities consist of the following-

*In thousands*

	<u>2004</u>	<u>2003</u>
Payroll and taxes	\$ 30	\$ 37
Sales tax	19	24
Property taxes	<u>59</u>	<u>57</u>
	<u>\$ 108</u>	<u>\$ 118</u>

(4) ADVANCES AND CONTRIBUTIONS IN AID OF CONSTRUCTION:

The Advances in Aid of Construction Contracts provide that a percentage of gross revenues from each applicable unit over a specified period will be paid to reimburse the customer for the cost of the water systems.

Any unrefunded portion upon the contract expiration is transferred to Contributions in Aid of Construction. Unrefunded balances transferred to Contributions in Aid of Construction were \$31,000 and \$33,000 during 2004 and 2003, respectively.



(5) NOTE PAYABLE:

Note payable consists of the following-

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
Note payable, interest only payable at the prime rate, principal and interest payable beginning July 27, 2003, maturing July 27, 2006.	\$ <u>3,568</u>	\$ <u>4,121</u>

The loan agreement contains specific requirements concerning net worth. The loan is guaranteed by an affiliate.

Minimum principal payments on the above debt are as follows-

<u>Year Ended December 31,</u>	<i>In thousands</i>
2005	\$ 589
2006	<u>2,979</u>
	\$ <u>3,568</u>

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS:

Long-term Debt-

The Company's long-term debt approximates fair value. The fair value of the Company's debt is based on quoted rates for similar issues.

(7) NCOME TAX EXPENSE (BENEFIT):

The components of income tax expense (benefit) are as follows-

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
Current income tax expense	\$ 0	\$ 0
Deferred tax expense (benefit)	<u>17</u>	<u>(15)</u>
	\$ <u>17</u>	\$ <u>(15)</u>

(8) TRANSACTIONS WITH RELATED PARTIES:

On an ongoing basis, Lago Del Oro Water Company engages in certain business activities with affiliates which arise through the normal course of business. These activities are as follows-

The Company purchased \$0 and \$88,000 of utility assets from an affiliated developer during 2004 and 2003, respectively.

The Company loans excess funds to an affiliate. The advances are payable on demand and provide for interest at the prime rate. The Company collected \$9,000 and \$18,000 of interest during 2004 and 2003, respectively. Working capital advances outstanding at December 31, 2004 and 2003 were \$170,000 and \$259,000, respectively.

The Company provides water services to affiliates for construction activity and a golf course. Revenue earned from these affiliates during 2004 and 2003 was \$69,000 and \$91,000, respectively.

The Company paid \$42,000 in 2004 and 2003 to an affiliate for administrative and accounting services.

(9) RETIREMENT PLAN AND TRUST:

The Company and affiliated entities have a multi-employer trust profit sharing plan under Section 401 and 401(K) of the Internal Revenue Code. The Plan and Trust provides for retirement, disability, and accidental benefits for eligible employees. The Company matches employee contributions at a rate of 25%. The Plan and Trust also provides for additional contributions by the employer, at management's discretion. As of December 31, 2004, the Company had no liability to the Plan and Trust for matching or additional contributions.

The Company contributed \$3,000 and \$5,000 during 2004 and 2003, respectively to the Plan.

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

APR 28 2005

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
MARICOPA
NAME (OWNER OR OFFICIAL) TITLE
BRIAN J. SMITH - CONTROLLER
COMPANY NAME
LAGO DEL ORO WATER COMPANY

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 1,890,147

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 116,696  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

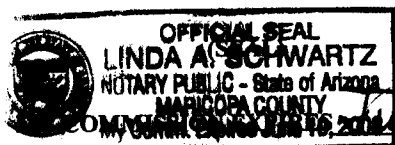
THIS

26<sup>th</sup>

DAY OF

  
SIGNATURE OF OWNER OR OFFICIAL  
(480) 895-9200  
TELEPHONE NUMBER

COUNTY NAME	MARICOPA
MONTH	APRIL
	2005



**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

APR 28 2005

**VERIFICATION**

**STATE OF ARIZONA**

**I, THE UNDERSIGNED**

**OF THE**

COUNTY OF (COUNTY NAME) MARICOPA	
NAME (OWNER OR OFFICIAL) BRIAN J. SMITH	TITLE CONTROLLER
COMPANY NAME LAGO DEL ORO WATER COMPANY	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.


**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 1,564,206

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 87,888  
IN SALES TAXES BILLED, OR COLLECTED)

**\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.**

  
SIGNATURE OF OWNER OR OFFICIAL

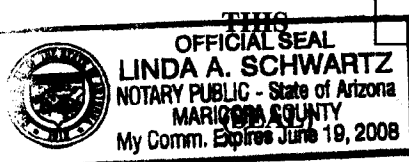
(480) 895-9200  
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME**

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

NOTARY PUBLIC NAME Linda A. Schwartz	
COUNTY NAME MARICOPA	
MONTH APRIL	2005

DAY OF



**MY COMMISSION EXPIRES June 19, 2008**

X   
SIGNATURE OF NOTARY PUBLIC